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FISCAL IMPACT REPORT

SPONSOR Marquardt DATE TYPED 2/19/05 HB 894

SHORT TITLE Range and Test Facility Gross Receipts SB _____

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(825.0)	(3,300.0)	Similar	Recurring	General Fund
(550.0)	(2,200.0)	Similar	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 375, HB 930, SB 566

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department
White Sands Missile Range

SUMMARY

House Bill 894 provides a gross receipts tax deduction for research, development, testing and evaluation services performed at a major range and test facility base in New Mexico for U.S. department of defense programs.

The bill carries an emergency clause, making provisions applicable upon signature by the governor.

FISCAL IMPLICATIONS

The Taxation and Revenue Department provided information from the White Sands Missile range reporting that the value of research, development, testing and evaluation services subject to gross receipts tax is approximately \$85 million. Multiplying the \$85 million tax base by a 6.5 percent gross receipts tax rate implies a \$5.5 million revenue loss. Sixty percent of this, or \$3.3 million, would affect the general fund, and the remaining \$2.2 million affecting local governments' revenues. These are the full-year (FY06) impacts reported. The FY05 impacts reflect the

emergency clause, which would make the provisions effective for the remaining three months in the current fiscal year.

ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department reports that the administrative implications would be minor.

BT/sb